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**Top Secret**

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday 28 January 1978      CG NIDC 78/023C

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**NATIONAL SECURITY INFORMATION**

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National Intelligence Daily Cable for Saturday, 28 January 1978.

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The NID Cable is for the purpose of informing senior US officials.

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SYRIA-USSR: Military Equipment

*//A large amount of equipment apparently is involved under the Syrian-Soviet arms agreement reached last month.*

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[REDACTED]

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[REDACTED] Syrian President Asad probably welcomes the appearance of Soviet support for his opposition to Egypt's peace initiative. For some time, Syria has been seeking more advanced Soviet weapons to help offset the growing gap in modern weaponry between Syria and Israel.

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[REDACTED] Syrian requests have included the latest Soviet tanks, self-propelled artillery, and surface-to-air missile systems. The Syrians also have been trying to acquire large amounts of equipment to outfit new formations and upgrade existing ones to replace worn-out equipment and replenish wartime stockpiles depleted by the intervention in Lebanon.

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[REDACTED] We are not yet able to verify reports that some of the equipment under the December agreement has begun to arrive in Syria. Deliveries may be imminent, however. [REDACTED]

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[REDACTED]

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[REDACTED]

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## CHINA-EC: Talks on Trade Agreement

25X1 [ ] *China and the European Community open high-level talks Monday in Brussels on their first bilateral trade agreement.*

25X1 [ ] Peking expects EC countries ultimately to become a major source of industrial imports and technology and sees the agreement as a symbol of its desire to encourage a united Western Europe resistant to Soviet pressure. The Community, for its part, seeks recognition by Communist countries and has offered such a trade agreement to them all.

25X1 [ ] Working-level groups have already hammered out most of the details of the five-year, nonpreferential pact, and conferees expect that this week's negotiations may be conclusive. The agreement aims mainly at expanding trade and grants China most-favored-nation status.

25X1 [ ] Three points remain unsettled. The EC wants China to agree to minimum prices on certain exports to the Community so that Chinese products will not disrupt local markets. It also wants a clause providing for consultations when trade problems arise. China, concerned about its trade deficit with the EC, wants a clause providing for the balanced expansion of trade.

25X1 [ ] Sino-EC trade is much more important to Peking than to the Nine. While the EC is China's second largest trading partner after Japan, China accounts for less than 1 percent of EC trade. The EC is an important supplier of machinery and equipment, metals, and fertilizer to China. In return, China provides a broad range of foodstuffs, crude materials, textiles, and consumer goods. [ ]

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## SOUTH AFRICA: Apartheid Policies

25X1 [ ] *The South African Government will step up its timetable for implementing the policy of separate development of the races, according to Connie Mulder, the newly appointed Minister of Bantu Administration and Development. In a statement that sets the tone for the new parliamentary session that began in Cape Town yesterday, Mulder dashed any expectations that the government might veer from the path of apartheid, which he labeled "plural democracy."*

- 25X1 [ ] Mulder's statement, coupled with Prime Minister Vorster's choice of a new cabinet, indicates that Vorster is determined to ignore pressure from the outside world as much as possible and concentrate on implementing the "independent" homelands policy, under which South Africa's more than 18 million blacks are to find their political fulfillment in scattered areas economically dependent on Pretoria.
- 25X1 [ ] Mulder, a pragmatic man who wants to be the next Prime Minister, promised to work toward peaceful coexistence in South Africa and toward maintaining a dialogue with black leaders. To date the only dialogue the government has tolerated has been with blacks who have acquiesced to the homelands concept; most others have been banned or jailed.
- 25X1 [ ] Mulder also said he would concentrate on improving the living standards for all blacks, a difficult feat under South Africa's depressed economic conditions.
- 25X1 [ ] Aside from Mulder's appointment, there is little change in the composition of the new cabinet. Vorster retained Jimmy Kruger as Minister of Justice; he had been widely condemned for his callous handling of the Steve Biko affair late last year.
- 25X1 [ ] There had been talk of a power struggle between the liberal and rightwing factions of the National Party over the important Bantu administration post, but Vorster's choice of the conservative Mulder indicates that the Prime Minister has no intention of risking a party split while he moves ahead with the homelands policy.
- 25X1 [ ] Vorster has acknowledged the severity of the turmoil among young blacks by making two concessions: he has created a separate ministry for black education and ordered the word "Bantu" dropped from the government lexicon. Though the new ministry is a substantial concession on the part of the government, it falls far short of student demands for a black education system administered on an equal basis with that of the whites.
- 25X1 [ ]



SOUTH AFRICA: Buthelezi Address

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[ ] Chief Gatsha Buthelezi, the leader of the Zulu tribe in South Africa and a determined holdout against the government policy of independent homelands, will address a mass rally in Soweto tomorrow. The government permit for the meeting stipulates that Buthelezi can talk only about the coming elections in his homeland of Kwa-Zulu, but the chief intends to discuss overall black unity.

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[ ] If Buthelezi goes through with his promise, it will be the second time this month that the leader of South Africa's largest tribal group has defied the government. Two weeks ago, in spite of a legal prohibition on multiracial political cooperation, Buthelezi formed an alliance with "colored" and Asian leaders in the hope of pressing the government into a meaningful dialogue about alternatives to apartheid.

25X1

[ ] His appearance in Soweto tomorrow will be Buthelezi's first in the black township since 1976 when, in his bid to be recognized as a national black leader, he criticized Prime Minister Vorster's policies before a crowd of more than 16,000. He is the only black leader willing to stand up to the government and may strike a responsive chord of unity among urban black Africans. Many of the younger Sowetans, however, regard all homelands personalities as irrelevant to their aspirations, and tomorrow Buthelezi may face hostility from militant students if he does not say enough and government repression if he says too much. [ ]

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FRANCE: Unemployment Figures

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[ ] An abrupt reversal of the trend in unemployment figures in France has provoked opposition charges that the government is manipulating the data for political purposes. The four-month cumulative decline from the record 1.22 million unemployed in August is officially reported to be 190,000--almost 16 percent. Most of the decline, however, is due to the outdated seasonal adjustment procedure being used.

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[ ] French Government economists are aware of the problem but are reluctant to alter their methodology because--ironically--they are afraid that a change now would lead to further charges of political manipulation.

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[REDACTED] We believe that unemployment reached a peak of 1.16 million in September and has declined by 87,000 since then. This reduction can be explained by hiring incentives, which expired on 31 December, and a successful youth employment drive.

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[REDACTED] The factors that pushed unemployment down during the fall are now essentially played out. With economic activity still sluggish, official unemployment figures for January and February are likely to show embarrassing increases. Nevertheless, the February figure—which will be released between the first and second rounds of the parliamentary election—should be well below the August peak. [REDACTED]

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JAPAN: Opposition Party Views

25X1 [ ] *The recent public statement by the chairman of Japan's Clean Government Party endorsing the role of the Self-Defense Forces and cautioning against altering the US-Japan security relationship reflects the gradual trend toward more realistic public treatment of defense issues by the moderate opposition parties.*

25X1 [ ] *The chairman's remarks, made at the party convention this month, do not modify the party's official stand in favor of replacing the security treaty with a peace and friendship pact. Even so, Clean Government officials have privately said that they hope eventually to move toward a more moderate line on the security issue.*

25X1 [ ] *Like the Democratic Socialists, who already publicly back the security treaty, Clean Government politicians probably calculate that their shift will enhance their prospects as a coalition partner should the ruling Liberal Democrats lose their majority in the Diet. Indeed, Clean Government leaders are now at work trying to cement a firmer relationship with the Democratic Socialists in the Diet.*

25X1 [ ] *Even those opposition leaders who continue to focus on the security issue recognize that growing public acceptance of Japan's limited defense effort and its security relationship with the US has limited the political mileage that can be made by attacking defense policy.*

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ARGENTINA-CHILE: Tensions Increase

25X1 [ ] *//Agreement on the contentious Beagle Channel dispute is likely to be more difficult as a result of the frustration in Santiago following Argentina's announcement Wednesday rejecting the international arbitration ruling.//*

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[ ] Contributing to the Chileans' pessimism is their awareness of the political problems facing Argentine President Videla within his own junta. Fellow junta member Admiral Massera appears determined to be less conciliatory on the dispute than Videla. Massera apparently hopes that a conspicuous display of nationalism on his part will help his long-running campaign to discredit and perhaps replace the President.

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[ ] //A second round of presidential talks was to be held in Chile this week but was postponed until sometime in February at President Pinochet's request. Pinochet clearly did not want to renew discussions immediately following Argentina's rejection, thereby giving the impression that he was caving in to pressure from Buenos Aires. The delay was also probably meant as a gesture of coolness toward Argentina.//

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[ ] //In a terse rebuttal of Argentina's unilateral repudiation of the arbitral award, the Chilean Foreign Ministry declared it "contrary to international law" and existing bilateral arbitration agreements. Chile's Ambassador has been withdrawn from Buenos Aires.//

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POLAND: Culture Minister Removed

25X1 [ ] *The removal of the relatively liberal Jozef Tejchma as Poland's Minister of Culture will generate considerable concern and unease among intellectuals that the regime intends to tighten its control of cultural affairs.*

25X1 [ ] Prime Minister Jaroszewicz announced the change at a session of the parliament on Thursday. Tejchma will remain as one of the nine Deputy Premiers and as a member of the government presidium, which acts as an inner cabinet. He also retains his membership on the party's Politburo.

25X1 [ ] During his four-year tenure as Culture Minister, Tejchma earned a reputation for being one of the more intelligent and openminded members of the leadership. He encouraged diversity and creativity and shielded artists from conservative pressures. His dismissal will be seen as particularly threatening by those artists and media people who have been working from within the system to expand freedom of expression.

25X1 [ ] Tejchma's liberal leanings had caused rumors that he was in trouble for at least a year. His weakened position became particularly evident last spring when party conservatives expressed consternation at the widespread showing of several films critical of life in Poland. At that time Tejchma was said to be in almost daily conflict with the party's hard-line propaganda chief, Jerzy Lukaszewicz. Tejchma's deputy for the film industry was subsequently replaced by a man who is exerting much more strict ideological control over filmmaking.

25X1 [ ] The failure of Jaroszewicz to nominate a successor indicates that the conservatives were strong enough to unseat Tejchma, but that they lack the power to get their own candidate accepted. Nevertheless, Tejchma's dismissal, along with the removal of Kazimierz Barcikowski as Minister of Agriculture in December--both are on the Politburo--suggests that the liberal wing in the top leadership has been somewhat weakened.

## CZECHOSLOVAKIA: Rumors about Husak

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[ ] There is considerable speculation in Czechoslovakia regarding the political standing of party and state leader Gustav Husak. One rumor is that, with Soviet backing, he thwarted a challenge to his leadership by a regional party leader in December. Another is that the 65-year-old Husak--troubled by some health problems and grief over the death of his wife last fall in a helicopter accident--may soon step down from one of his two posts.

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[ ] The rumors may have been fed by the fact that the regional party official who allegedly mounted the challenge to Husak lost his job in mid-December. Also, Husak has looked fatigued during some public appearances over the last several months. As disparate as the two rumors may seem, the "resignation" story could also have grown out of the "challenge" rumor. Husak's initial response to the challenge, according to one version, was to resign as party leader; only Soviet insistence brought him back.

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[ ] We cannot dismiss the possibility that Husak, under the impact of physical or emotional strain, has lost his taste for politics and is considering resigning. But it seems more likely that, as a dedicated Slovak nationalist, he sees his remaining on top as the only guarantee of preserving Slovak gains over the Czechs since 1968. Giving up power would seem out of character for a man who was a political exile for 17 years and struggled long and hard to reach his present position.

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[ ] There is a possibility that the alleged challenge to Husak and the subsequent rumors about his resigning are the work of hardline opponents of Husak's moderate policies.

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[ ] In his most recent appearances, Husak has seemed affable and relaxed. During talks with visiting Western officials, he has seemed to be looking forward to his scheduled trip to West Germany. [ ]

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BRIEFS

USSR

25X1 [ ] After consulting with Moscow, the Soviet representative to the Conference of the Committee on Disarmament in Geneva told the US representative on Wednesday that the Soviets wish to propose bilateral talks on "neutron weapons." He added an offer to end Moscow's insistence that such weapons be included in a radiological weapons convention currently being negotiated by the two powers in the context of the Geneva forum. President Brezhnev proposed mutual renunciation of the "neutron bomb" in December, and in the Soviet view this should clearly be the objective of the suggested talks.

25X1 [ ] //Also on Wednesday, the Soviet Ambassador to West Germany asserted that if the US adopted "neutron" weapons, the Soviets would follow suit--a threat earlier made by other Soviet officials. The Ambassador added a new element by stating that while the US weapons might be tactical in nature, Soviet weapons might be strategic.//

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## Tunisia

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[ ] Tunisia was relatively calm yesterday after the widespread civil disorders on Thursday that accompanied the unprecedented 24-hour general strike. According to the US Embassy in Tunis, the strike was ineffective and most of the violence was instigated by students and unemployed youth. The students apparently took advantage of the situation to underscore their opposition to Prime Minister Nour's government and press their radical political demands.

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[ ] The government asserts that about 40 people died in the disorders, which the army quelled, although press stories report a higher toll. Nour has promised to punish the troublemakers and has expressed confidence in the government's ability to deal with the situation.

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[ ] Labor's headquarters in Tunis has been occupied by the Army and Achour is under house arrest. [ ]

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## Austria-USSR

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[ ] Austrian Chancellor Bruno Kreisky is scheduled to visit Moscow on 6-8 February for what has been termed a "working visit." Kreisky hopes to discuss Austria's trade deficit with the USSR, which amounts to approximately \$200 million annually. Premier Kosygin is likely to receive the Austrian delegation; Kreisky has not asked to see President Brezhnev, even though a meeting between the two leaders would be customary during such a visit. The Austrians have decided to leave the scheduling of any such meeting to the Soviets because of the state of Brezhnev's health. [ ]

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## Persian Gulf

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[ ] The monetary authorities of Bahrain, Qatar, and the United Arab Emirates recently suspended trading on local foreign exchange markets, reportedly in preparation for a 5 to 7 percent revaluation of their currencies against the US dollar. The revaluation, expected today, is apparently in response to the decline of the dollar against the West German mark and Japanese yen and a recent small revaluation of the Saudi Arabian riyal.

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[redacted] Authorities in Bahrain and the UAE may take this opportunity to sever their currencies' link to the dollar and peg them instead to the International Monetary Fund's Special Drawing Rights, whose value is determined by a basket of some 16 major currencies. Saudi Arabia, Qatar, and Iran already maintain a link between their currencies and the SDR.

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[redacted] Market sources speculate that the UAE currency may be devalued slightly against those of Qatar and Bahrain. These Persian Gulf neighbors have been striving in recent years to coordinate their monetary policies and exchange rates with the ultimate aim of creating a "Gulf dinar."

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